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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 005515

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TAGS: [ECON](#) [KPAL](#) [EINV](#) [EAID](#) [IS](#) [PTER](#) [GAZA](#) [DISENGAGEMENT](#)

SUBJECT: DISENGAGEMENT: GAZA BUSINESSMEN BOTH HOPEFUL AND CONCERNED

Classified By: Ambassador Daniel C. Kurtzer, for Reason 1.4 (b) and (d)

11. (C) Summary: In an August 24 meeting with the Ambassador, nine businessmen from the Gaza Strip stressed that freedom of movement for people and goods was essential to achieving economic prosperity after disengagement. They claimed that the GOI's proposal for a trilateral border crossing at Kerem Shalom was impractical, asserting that two-way traffic through Rafah and a fully operational international airport were necessary. The Ambassador suggested that Israel's legitimate security concerns required that the Gazans seek a compromise solution on passages, particularly if they wish to maintain the customs union with Israel and the West Bank. Although all asked for assistance in the rapid development of Gaza's infrastructure, some of the businessmen downplayed the importance of a new port. Most complained that, in planning for Gaza's future, donor countries and the PA itself have ignored the private sector. They also fear that increased PA involvement in business ventures will spread corruption. The Ambassador urged them to take more responsibility for improving the security situation in Gaza in order to secure greater USG assistance and foreign investment. End Summary.

12. (C) The Ambassador began the meeting with a review of some of the outstanding issues associated with Israel's disengagement from the Gaza Strip. He noted that, although there were still problems, progress had been made in discussions about the Erez and Karni crossings, and the attitude on both sides was very good. Plans to employ USG-Funded scanners and other technology had been instrumental in bringing the parties closer to agreement. The Rafah crossing, however, presented a greater challenge, as the PA sought movement in both directions for people, at a minimum, while the GOI was evaluating how it would be a part of that process without being physically present. The GOI faced a similar challenge with a proposed new seaport and wants a say in defining port operations, although this is not as urgent an issue given the extensive period needed for construction. He pointed out that since the re-opening of Gaza International Airport could take place in less than two months, agreement would have to be reached soon on procedures to be implemented there. The GOI's plan to establish a trilateral checkpoint at Kerem Shalom also required immediate attention.

13. (C) The Ambassador cited the recent disbursement of USD 50 million in cash to the PA as an example of how serious the USG is about quickly taking advantage of the disengagement in order to improve the lives of the Palestinian people. He also noted that release of USD 30 million marked the lifting of the freeze on USG funding for the North/South Water Carrier project. The Ambassador added, however, that USG funding for the Gaza desalination plant would remain on hold until the security situation improves and the PA brings to justice those responsible for the deaths of three American security personnel in October 2003.

FREEDOM OF MOVEMENT REQUIRED

14. (C) Mohamed al-Yazgi, Pepsi bottler and Chairman of the Palestinian Business Association (PBA), stated that the main issue, "the key to everything," was freedom of movement for people and goods. He emphasized that, in addition to stimulating trade, freedom of movement was required to attract investment to the Gaza Strip. Palestinian expatriate businessmen and other potential investors from Arab states must feel free to come and go. Two-way passage through the Rafah crossing and a re-opened international airport would ease their concerns. Yazgi asserted that Israel would be able to meet its security concerns by employing advanced technology, enhanced procedures and, in some cases, a third-party presence. He dismissed the GOI's proposed Kerem Shalom crossing as impractical, obliging travelers and goods to cover longer distances through "three countries."

15. (C) Yazgi said that freedom of movement was "the path to success" in meeting Israel's security goals because it would contribute to economic prosperity in Gaza and, therefore, leave Palestinian militants with "no reason to hang on to their guns." Salah Abdel Shafi, an economist and World Bank consultant, stated that high unemployment, poverty and dramatic rapid population growth contributed to building pressures in Gaza that needed immediate attention. Shafi and

others stressed that Gazans expected the disengagement to yield immediate economic benefits and also contribute to the revival of the Israeli-Palestinian peace process.

PRIVATE SECTOR WANTS A SAY

16. (C) Several businessmen expressed their frustration at not being part of planning for Gaza's future. They claimed that donor nations and NGOs tended to ignore the private sector, even though the private sector would be the primary engine of economic growth in Gaza. As an example, they cited a recently approved PA master plan for Gaza that most of them had not seen. They also voiced skepticism over public sector involvement in projects and other business activities, expressing fear that "big sharks" would use their political connections to enrich themselves. As for USG assistance, the businessmen praised the recent USD 50 million transfer to the PA, welcomed the re-start of the Gaza water carrier project, urged immediate action on the proposed Desalination plant, and asked for greater USAID support for the private sector and help in protecting heritage and culture.

17. (C) While generally pleased with the pace of the GOI's disengagement, and anxious to quickly secure freedom of movement for people and goods through crossings and an airport, the Gaza businessmen advocated a more measured approach in determining what to do with settlement lands and a proposed seaport. Jawat Khoudary, a contractor and PBA member, suggested that, for the most part, areas formerly occupied by settlers be left vacant for the next five years. Authorities needed to concentrate more on important infrastructure projects and take time to develop long-term plans for the evacuated land. Khoudary, Yazgi and several others also questioned the need to build a seaport, at a cost of USD 150 - 200 million, when the Israeli port of Ashdod could continue to adequately handle goods to and from Gaza. However, more than one of the businessmen asserted that shipments through Ashdod were not always handled satisfactorily and better service would not be realized because Palestinians did not have a voice in Ashdod port operations. (Note: GOI current efforts to modernize the Erez Crossing include a plan to establish an Erez-Ashdod rail link. An IDF officer at Erez recently noted to Econoff that, thus far, the PA had no plans to upgrade its side of the Erez crossing.)

COMPROMISE NEEDED, BUT NOT ON SECURITY

18. (C) In reply to the points presented, Ambassador Kurtzer began by emphasizing that security is a priority at this stage and most other issues are dependent on improving the security situation. He noted that, as citizens of Gaza, the businessmen needed to work within their community to help stem the violence and get gunmen off the streets. He recommended that in discussions aimed at expanding freedom of movement, appropriate consideration needed to be given to Israel's security concerns. The Ambassador suggested that, since the businessmen have identified the continuation of the customs union with Israel as a priority, perhaps they should consider, in light of Israel's security needs, meeting the GOI halfway: as an interim solution on crossings, agree to Kerem Shalom as an entry point for people and goods for a six month period, after which the situation can be reviewed.

19. (C) The Ambassador reiterated that the USG funding for the desalination plant remained frozen. He explained that the hold on funding remained tied to the security situation in Gaza. He reiterated that the USG expected the PA to bring to justice the perpetrators of the October 2003 terrorist attack on an Embassy Tel Aviv motorcade in Gaza that resulted in the deaths of three American security personnel. He stated that the USG remains disappointed by the PA response, and suggested that the businessmen press the PA on this issue as they also stood to benefit from an improved security environment and a resumption of USG assistance.

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KURTZER